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Stampede International Resources Ltd.

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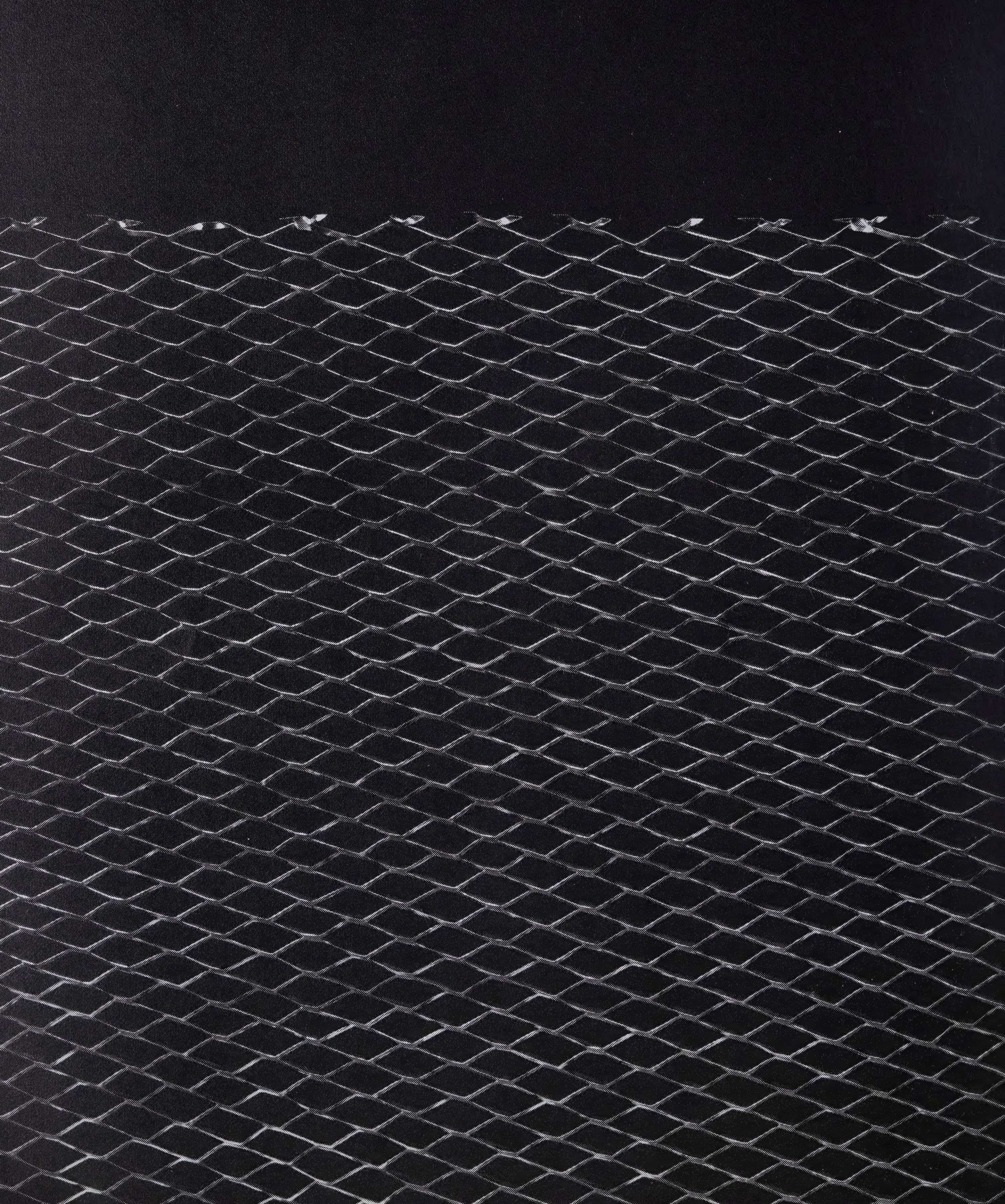
Annual Report Year Ended March 31, 1975



Officers and Directors

Directors
Earl A. Glick
Norman Glick
Dr. Daniel Glick
Allan H. Ainsworth
Olga E. Smith

Executive Officers
Earl A. Glick *Chairman of the Board*
Norman Glick *President*
Olga E. Smith *Secretary-Treasurer*

Exchange Listing
Vancouver Stock Exchange

Registrar
Guaranty Trust Company of Canada, Vancouver

Transfer Agents
Guaranty Trust Company of Canada, Vancouver and Toronto

Banks
Royal Bank of Canada, Vancouver, B.C. and Calgary, Alberta
Security Pacific National Bank, Los Angeles, California, U.S.A.

Auditors
Collins, Love, Eddis, Valiquette & Barrow, Vancouver

Solicitors
Worrall, Page and Company, Vancouver
Stitt, Baker & McKenzie, Toronto

Offices

Head Office:	Suite 1840, 777 Hornby St. Vancouver, B.C.
Executive Office:	185 Davenport Road Toronto, Ontario M5R 1J1

Front and Inside Covers
The cover illustration is a photographic reproduction of the patented Explosafe Omega material, the fine honeycomb-like expanded aluminium alloy which prevents heat buildup when properly placed in a container of inflammable fluids or gases.

Directors Report to the Shareholders

Earl A. Glick
Chairman of the Board

Norman Glick
President

This annual report for the year ended March 31, 1975 reflects several major developments in the affairs of Stampede International Resources Ltd. These changes strengthened the company financially, resulted in enhanced value for its natural resource interests and cleared the path for potentially important future developments.

Finances

The enclosed financial statements show a major improvement in the Company's financial position. This is the result of the sale during the year of the Company's interest in Valley Copper Mines Limited. Part of the proceeds of $4,045,286. from this sale were applied to repay bank loans incurred in purchasing the Texas natural gas interests. The remaining some $1 million has been invested temporarily in short-term securities. The effect was to change a deficiency in working capital of $1.6 million at the end of the previous fiscal year to a working capital of $1.2 million. It is interesting to note that the interest charges paid during the latest year prior to repayment of the loans exceeded the reported loss of $238,923. The company now will be earning interest instead of paying such charges.

The improved financial position is also reflected in the affairs of Northwest Ventures Ltd. in which Stampede has a 47% interest. Northwest Ventures now has short-term deposits and marketable securities of some $4.9 million as a result of sale of the company's interest in Valley Copper Mines in conjunction with the sale by Stampede.

Thus the total effect for Stampede and its associated Northwest Ventures is to place the two companies in a highly-liquid financial position. These companies now can more aggressively seek opportunities. At this early stage in the general economic recovery, organizations with financial resources are extremely well-placed to undertake projects or acquisitions. Your Company is actively exploring possibilities for longer-term investments.

Natural Gass

The value of the Company's natural gas interests in Canada and the United States has been enhanced as a result of rising prices for fuels. As the financial accounts show, gross income from oil and gas interests exceeded $1 million, a significant increase from $721,723 in the year ended March 31, 1974. The increase is the result of higher prices received, rather than larger production. An indication of what is happening in natural gas is the record official Alberta field price set by the Alberta Energy Resources Conservation Board related to the cost of competing alternative fuel supplies at Toronto. The pricing principle being applied by the Alberta authorities is of long-term importance to all natural gas producers in that province where the Company's principal interest in the Strachan-Ricinus field is located. The Company's consultants advise that the combined 1.4947% working interest and 0.7778% royalty interest in the Strachan production unit has a discounted present value of well over $6 million and that this interest alone in calendar 1976 could be generating a gross income of almost $1.2 million. The balance sheet does not reflect such improvement in the value of the Company's assets.

The interest held by wholly-owned subsidiary, Stampede Energy Corp. in the Owen and Tom Walsh fields in Texas continue to generate a modest income although

production has been declining. Drilling obligations have been met until 1976. With the improved finances in the company, the possibility is being examined of undertaking further drilling.

Present gas contracts in Texas will be renegotiated in March and April 1976. It is expected that gas prices at that time will go from 80¢ to $1.50—$1.75 per thousand cubic feet. Gross income from Texas in the current year should exceed $300,000.

The Company took advantage of an opportunity to sell at a modest profit its one-eighth interest in 13 producing wells in the Gates Field in Texas.

Explosafe

The interest held in Explosafe Corporation Ltd. is assuming increasing importance, not only to your Company but to industry and society generally.

Stampede recently obtained an option to acquire an additional 29% interest in Explosafe Corporation from another shareholder of that company. Stampede already holds a 51% equity interest.

Stampede International acquired its interest in Explosafe Corporation some two years ago. Subsequently, an agreement was reached with Vulcan Industrial Packaging Limited calling for commercial development in Canada. Earlier this year, that agreement between Explosafe and Vulcan was expanded. The broadened agreement provides for joint venture participation by the two companies in expansion in the United States, the European Common Market and the Far East. Licensing and establishment of plants in these major areas is to be carried out over a period of two years. Explosafe and Vulcan are to share ownership equally. All capital costs involved in the construction of plant and equipment are to be met by Vulcan.

Vulcan Industrial has been pursuing commercial development most agressively. Extensive research and development has reached the stage of construction of production machinery. Explosafe has been introduced to industry in Great Britain as well as Canada and the United States and major corporations and government agencies today are working with the Explosafe cellular material in determining its applicability to their areas of activity and interest.

Vulcan management has reported that it expects to introduce its own product lines applying Explosafe principles and material later this year. Production machinery is being manufactured incorporating techniques developed through the difficult period of preparing a major new product for the marketplace.

Other Interests

No developments of significance have occured in other holdings in oil and gas prospects. The wildcat well drilled in Turkey was unsuccessful and no further activity is planned. Income continues from the motion picture "GROUNDSTAR CONSPIRACY".

On Behalf of the Board of Directors

Earl A. Glick
Chairman of the Board

Consolidated Balance Sheet
March 31, 1975

Assets

Current Assets	1975	1974
Cash	$ 90,175	$ 11,098
Term deposits—6½%	1,020,000	—
Accounts receivable	188,923	122,356
Deposits and prepaid expenses	23,450	45,935
	1,322,548	179,389
Cash surrender value of life insurance	7,500	—
Investments	2,494,636	2,652,639
Motion pictures	56,188	123,270
Deferred consulting fees	9,000	—
Property and equipment	2,647,324	2,806,170
Patent and development costs	83,091	57,088
Incorporation and reorganization costs	5,446	18,116
	$6,625,733	$5,836,672

Liabilities

Current Liabilities		
Accounts payable and accrued charges	$ 88,795	$ 85,811
Notes payable	—	1,292,830
Current portion of long term debt	—	417,583
Income taxes payable	53,000	—
	141,795	1,796,224
Long term debt	—	1,179,480
Deferred income taxes	13,222	15,500
Minority interest	4,900	4,900
	159,917	2,996,104

Shareholders' Equity

Share Capital	5,693,256	5,693,256
Retained earnings (deficit)	940,289	(2,750,240)
	6,633,545	2,943,016
Deduct: 104, 150 treasury shares (1974—23,150), at cost	(167,729)	(102,448)
	6,465,816	2,840,568
	$6,625,733	$5,836,672

On behalf of the Board,

Norman Glick, Director

Olga E. Smith, Director

The accompanying notes are an integral part of this financial statement.

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended March 31, 1975

	1975	1974
Income		
Oil and gas operating	$ 438,792	$ 343,526
Oil and gas participation	408,561	294,884
Oil and gas royalty	230,808	135,804
Motion picture	62,747	90,229
Interest and other	23,063	4,214
Equity in loss of affiliate	(44,838)	(4,250)
	1,119,133	864,407
Expenses		
Field operation and supervision	118,652	116,167
Oil and gas participation costs	44,436	52,891
Depletion, depreciation and amortization	375,812	426,607
Property and exploration costs	204,294	118,105
Write down of oil and gas properties	—	1,187,823
General and administrative	323,629	247,606
Interest	256,512	185,622
Foreign exchange loss (gain)	(16,001)	37,161
	1,307,334	2,371,982
Loss Before Undernoted Items	(188,201)	(1,507,575)
Income Taxes		
Current	53,000	—
Deferred (recovered)	(2,278)	15,500
	(50,722)	(15,500)
Loss before extraordinary items	(238,923)	(1,523,075)
Extraordinary items	3,929,452	(22,500)
Net earnings (loss) for the year	3,690,529	(1,545,575)
Deficit, beginning of the year	(2,750,240)	(1,204,665)
Retained earnings (deficit), end of the year	$ 940,289	$(2,750,240)

The accompanying notes are an integral part of this financial statement.

Auditors' Report

To the Shareholders of
Stampede International Resources Ltd.

We have examined the consolidated balance sheet of Stampede International Resources Ltd. and its subsidiary companies as at March 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, after due provision for minority interests, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Collins, Love, Eddis, Valiquette & Barrow
CHARTERED ACCOUNTANTS

Vancouver, British Columbia
May 30, 1975

Consolidated Statement of Changes in Financial Position

For the Year Ended March 31, 1975

	1975	1974
Financial Resources Generated		
Working capital from operations		
Net loss for the year before extraordinary items	$ (238,923)	$ (1,523,075)
Add: Items not requiring current funds		
Depletion, depreciation and amortization	375,812	426,607
Deferred income taxes	(2,278)	15,500
Property and exploration costs	201,719	1,325,037
Incorporation and reorganization costs written off	11,397	—
Equity in loss of affiliate	44,838	4,250
	392,565	248,319
Proceeds of sale of investments	4,045,286	—
Production bank loan	—	1,479,480
Total Financial Resources Generated	$4,437,851	$1,727,799
Financial Resources Applied		
Property and equipment acquisitions and development	$ 350,330	$2,724,512
Principal reduction of long term debt	1,179,480	95,314
Increase in current portion of long term debt	—	395,916
Motion picture costs	—	53,444
Patent acquisition and development	35,003	52,188
Purchase of investments	2,669	42,840
Purchase of treasury shares	65,281	—
Employee contract settlement	—	21,667
Incorporation and reorganization costs	—	7,618
Cash surrender value if life insurance	7,500	—
	1,640,263	3,393,499
Increase (decrease) in working capital	2,797,588	(1,665,700)
Total Financial Resources Applied	$4,437,851	$1,727,799
Working capital (deficiency), beginning of the year	$(1,616,835)	$ 48,865
Working capital (deficiency), end of the year	1,180,753	(1,616,835)
	$2,797,588	$1,665,700

The accompanying notes are an integral part of this financial statement.

Notes to the Consolidated Financial Statements
March 31, 1975

1. Significant accounting policies

a) Basis of consolidation — The consolidated financial statements include the accounts of Stampede International Resources Ltd. and all of its subsidiaries:

Explosafe Corporation Ltd. (51% owned)
Stampede Energy Corp.
Stampede Holdings Ltd.

Minority shareholders' equity in the net assets of Explosafe Corporation Ltd. (Explosafe) amounted to $4,900 as at March 31, 1975. Explosafe is in the development stage and, accordingly, does not have earnings to March 31, 1975 (see note 1(g)).

b) Foreign exchange — The statements of Stampede Energy Corp., a United States subsidiary, have been translated into Canadian dollars as follows: assets and liabilities, current and long term, at the rate of exchange as at the balance sheet date; revenue and expenses at the average rate of exchange for the period. Exchange gains or losses resulting on translation are reflected in the consolidated statement of earnings and retained earnings.

c) Investments — The company's investment in Northwest Ventures Ltd. (Northwest), a 47% owned affiliate, is accounted for on the equity basis; the company's equity in earnings of the affiliate is reflected in the consolidated statement of earnings and retained earnings as "equity in loss of affiliate" in the amount of $44,838 (1974 - $4,250).

During the fiscal year ended March 31, 1975, Northwest sold its investment in shares of Valley Copper Mines Limited (N.P.L.) realizing a gain (net of applicable income taxes) of $3,687,000. Stampede's proportionate share of this gain ($1,733,000) has been considered to be the realization of excess of cost over the underlying net book value of the company's investment in Northwest (see note 3).

d) Motion pictures — It is the company's policy to capitalize all costs of its investment in motion pictures as incurred and to amortize these costs on the flow of income method. Amortization is subject to a minimum annual charge of 25% of cost, provided that the conditions of distribution do not render such minimum annual amortization unreasonable.

e) Property and equipment — The company follows the full cost method of accounting whereby all costs of acquiring, exploring for, and developing resource properties are capitalized. Proceeds received from the disposal of properties are credited to the relevant cost centres. However, the carrying values are limited to the estimated fair market value of the reserves.

f) Depletion and depreciation — Capitalized costs of resources properties and the company's interest in a gas plant are charged against earnings on a unit of production method based on estimated reserves of oil, gas and other saleable products. Other depreciable assets are depreciated on straight line or declining balance methods over their estimated useful lives.

g) Patent and development costs — The company's 51% owned subsidiary, Explosafe Corporation Ltd., was formed in 1973 to further develop and market an internationally patented device, "Explosafe", that eliminates the hazard of gaseous and inflammable material explosions.

All costs incurred by Explosafe Corporation Ltd. for the purpose of acquiring, testing and marketing the "Explosafe" device have been capitalized, and, along with the cost of acquisition of patents ($25,400) are carried on the consolidated balance sheet as "Patent and development costs". This procedure will continue until such time as the production of containers with the "Explosafe" device commences.

h) Comparative figures — The 1974 comparative figures have been reclassified where applicable to conform with the presentation used in the current year.

2. Cash surrender value of life insurance

During the year the company insured the life of a director in the principal sum of $1,250,000, with the company as beneficiary. Annual premiums of the policies aggregate $56,025. The cash surrender value on the first anniversary date is $22,500; $7,500 of this amount has been accrued to March 31, 1975.

3. Investments

The consolidated balance sheet item "Investments" is comprised of:

	1975	1974
Northwest Ventures Ltd. 1,750,400 shares (1974 - 1,741,000), at cost	$2,463,295	$2,460,626
Equity in earnings since acquisition of shares	23,969	68,807
	2,487,264	2,529,433
Valley Copper Mines Limited (N.P.L.)	$ -	$ 115,834
Other	7,372	7,372
	$2,494,636	$2,652,639

At March 31, 1975 the company's holdings in Northwest Ventures Ltd. (Northwest) represented approximately 47% of Northwest's outstanding shares.

The company's share in the underlying net book value of Northwest assets at March 31, 1975, as shown in its audited financial statements dated May 22, 1975, was approximately $2,400,000. No allocation of the $87,000 difference between the carrying value of the company's investment in Northwest and their underlying net book value at March 31, 1975 has been made. At March 31, 1975 the market value of the company's investment in Northwest was approximately $875,000 (1974 - $907,000).

4. Motion pictures

The consolidated balance sheet item "Motion pictures" is comprised of:

	1975	1974
Proportionate participation	$ 266,157	$ 266,699
Accumulated amortization	(209,969)	(143,429)
	$ 56,188	$ 123,270

(continued)

5. Deferred consulting fees

Explosafe Corporation Ltd. has agreed to pay consulting fees to an inventor-shareholder in the amount of 10% of its net profits each year. Such amount is not to exceed $354,000 in aggregate, subject however to minimum payments of $72,000. To date, $9,000 has been advanced in respect of future profits. This amount is carried on the consolidated balance sheet as "Deferred consulting fees" and will be charged against future operations.

6. Property and equipment

The consolidated balance sheet item "Property and equipment" is comprised of:

	1975			1974
	Lower of cost of fair market value	Accumulated depletion and depreciation	Net	Net
Oil and gas properties and production equipment	$3,345,475	$ 797,846	$2,547,629	$2,718,371
Mining properties	89,169	14,439	74,730	73,549
Other fixed assets	51,994	27,029	24,965	14,250
	$3,486,638	$ 839,314	$2,647,324	$2,806,170

7. Share capital

	1975	1974
Authorized 15,000,000 common shares, no par value		
Issued and fully paid 6,201,762 common shares	$5,693,256	$5,693,256

8. Extraordinary items

The consolidated statement of earnings and retained earnings item "Extraordinary items" is comprised of:

Gain on sale of investment in Valley Copper Mines Limited (N.P.L.)	$3,929,452	$ -
Write off of investment	-	22,500
	$3,929,452	$ 22,500

The extraordinary gain on the sale of the investment in Valley Copper Mines Limited (N.P.L.) has been treated as a capital gain for income tax purposes. As a result of the application of deferred expenditures available for tax purposes, no income taxes are exigible on the taxable capital gain ($130,000) arising as a result of this sale.

9. Income taxes

The companies have deferred expenditures of approximately $1.2 million which may be available to reduce taxable income of future years. In addition, business losses of approximately $1.9 million are available to reduce otherwise taxable income. The right to apply these business losses expires as follows:

1976	$ 450,000
1977	240,000
1978	140,000
1979	500,000
1980	570,000
	$1,900,000

10. Remuneration of directors and senior officers

Remuneration paid during the year to directors and senior officers, as defined under the British Columbia Companies Act, amounted to $136,360 (1974 - $88,247).

The British Columbia Companies Act includes as senior officers the five highest paid employees even though they may not be senior officers and, accordingly, included in the above amounts are $19,029 (1974 - $18,540) for employees who are not directors or senior officers. In addition, included in the above amounts is $35,000 (1974 - $29,000) representing fees paid to companies controlled by directors for secretarial and accounting services and rent.

11. Earnings per share

	1975	1974
Loss per share, before extraordinary item	(3.9¢)	(24.7¢)
Net earnings (loss) per share	59.8¢	(25.0¢)

Earnings (loss) per share was calculated using a weighted average number of shares after giving effect to shares held by the company and its subsidiary.